

BEFORE THE  
STATE OF WISCONSIN  
DEPARTMENT OF FINANCIAL INSTITUTIONS  
DIVISION OF SECURITIES

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In the Matter of,

SUMMARY ORDER TO CEASE AND  
DESIST AND IMPOSING CIVIL  
PENALTIES

CHRISTOPHER R. ESPOSITO,

Respondent.

DFI Case No. S-238791 (EX)

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**I.**

The Administrator of the State of Wisconsin, Department of Financial Institutions, Division of Securities ("Division"), having legal authority and jurisdiction to administer and enforce the Wisconsin Uniform Securities Law, Wis. Stats. Ch. 551 ("Ch. 551") and rules and orders promulgated thereunder, and having determined that this action is necessary and appropriate in the public interest and for the protection of investors, hereby enters this Order as follows:

**II.**

Division staff have presented evidence sufficient for the Administrator to make the following findings of fact and conclusions of law:

**A. Findings of Fact**

**Respondent**

1. Christopher R. Esposito (CRD#1933882) ("Esposito") is an adult male resident of Massachusetts born in August 1966. Esposito has a last known address of 102 River Road, Topsfield, Massachusetts 01983.

**Conduct**

2. Esposito was registered with the Division as a registered representative of various broker-dealers from July 1990 to April 1992 and from April 1997 to July 1999. Esposito was not registered with the Division in any capacity after July 5, 1999.
3. Between 2011 and 2015, Esposito raised more than \$550,000 in investor funds through an unregistered offering of securities in Lionshare Ventures, LLC ("Lionshare") and then misappropriated \$375,000 for his personal benefit. Esposito then spent almost \$300,000 of the funds raised on personal expenses, and used \$75,000 to acquire control of a Massachusetts-based, publicly traded company, Cannabiz Mobile, Inc. ("Cannabiz"), by purchasing all of its convertible debt.

4. Esposito used \$75,000 of the funds raised from the sale of Lionshare Securities to acquire control of a Massachusetts-based publicly traded company, Cannabiz Mobile, Inc. Esposito and Lionshare then concealed their de facto control of Cannabiz and a large percentage of Cannabiz's securities in order to evade SEC Rule 144.
5. Esposito paid third-party stock promoters to tout Cannabiz stock in order to increase its price and trading volume. Both during and after this promotional campaign, Esposito sold significant amounts of Cannabiz convertible debt to others for a profit of almost \$304,000. Esposito and others also allegedly sold millions of shares of Cannabiz stock directly into the public market for a profit.
6. On or about May 26, 2016, the U.S. Securities and Exchange Commission ("SEC") charged Esposito for his conduct regarding Lionshare and Cannabiz with violating the anti-fraud provisions of Section 10(b) of the Securities Exchange Act of 1934 and Rule 10b-5 thereunder, and Section 17(a) of the Securities Act of 1933, and the securities registration provisions of Sections 5(a) and 5(c) of the Securities Act.
7. On or about April 30, 2018, final judgement was entered against Esposito. The final order:
  - a. Enjoined Esposito from future violations of Sections 5 and 17(a) of the Securities Act of 1933 and Section 10(b) of the Securities Exchange Act of 1934 and Rule 10b-5 thereunder;
  - b. Ordered Esposito to pay, on a joint and several basis with Lionshare, disgorgement and pre-judgment interest in the total amount of \$1,107,413 and a civil penalty of \$160,000;
  - c. Barred Esposito from acting as an officer or director of any issuer that has a class of securities registered pursuant to Section 12 of the Exchange Act; and
  - d. Permanently barred Esposito from participating in an offering of a penny stock.
8. Code2Action, Inc. ("Code2Action") is a corporation incorporated in Delaware on or about October 4, 2013. At all times material, Esposito was the chief executive officer of Code2Action.
9. Peer to Peer Network aka Mobicard, Inc. ("Mobicard") is a corporation incorporated in Nevada on or about May 9, 2007.
10. Investors TA and DA are an adult married couple residing in Wind Lake, Wisconsin. Neither Investor TA nor DA are accredited investors.
11. In or about early 2013, one of Investor TA's colleagues introduced Investor TA to Esposito as someone who handled investment opportunities. Shortly after, Investor TA and Esposito had a telephone call during which Esposito began discussing opportunities

to invest in penny stocks with Investor TA. Around the same time, Esposito solicited Investor TA to invest in Code2Action, Inc.

12. On or about March 15, 2013, Investor TA invested \$1,250 in Code2Action by sending a wire transfer to Esposito. In exchange, Investor TA received 10,000 shares of Code2Action from Esposito.
13. After Investor TA's initial investment in Code2Action, Esposito continued to solicit Investor TA to invest additional funds in Code2Action.
14. On or about October 25, 2016 Esposito sold Investors TA and DA 500,000 shares of Code 2 Action common stock for \$5,000.
15. On or about November 15, 2016 Esposito sold Investors TA and DA 500,000 shares of Code 2 Action common stock for \$5,000.
16. On or about April 3, 2018, Esposito solicited Investor TA to invest in Mobicard in an email. Esposito represented to Investor TA that the shares would be tradeable without any restrictions.
17. On or about April 12, 2018 Esposito sold Investors TA and DA 25,000,000 shares of Peer to Peer Network aka MobiCard, Inc. for \$10,000.
18. Contrary to Esposito's representations, the shares of Mobicard were restricted from being traded.
19. At no time did Esposito inform Investor TA or DA of the May 26, 2016 complaint filed against him by the SEC.
20. All of the investment transactions described in ¶¶ 11-19 occurred while Investors TA and DA were in Wisconsin.

## **B. Conclusions of Law**

### **Legal Authority and Jurisdiction**

21. The Administrator has legal authority and jurisdiction over the conduct described above, pursuant to Ch. 551 and the rules and orders promulgated thereunder.
22. Pursuant to Wis. Stat. § 551.102(28), the shares of common stock issued by Code 2 Action, Inc. are securities.
23. Pursuant to Wis. Stat. § 551.102(28), the shares of common stock issued by Mobicard are securities.

24. Pursuant to Wis. Stat. § 551.301, it is unlawful for a person to offer or sell a security in Wisconsin unless the security is a federal covered security, is exempt from registration under Ch. 551, or is registered under Ch. 551.
25. The shares of common stock issued by Code2Action were not registered, exempt from registration, or federally covered securities.
26. The shares of common stock issued by Mobicard were not registered, exempted from registration, or federally covered securities.
27. Pursuant to Wis. Stat. § 551.501(2), it is unlawful for a person, in connection with the offer, sale, or purchase of a security, directly or indirectly, to make an untrue statement of a material fact or to omit to state a material fact necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading.
28. Pursuant to Wis. Stat. 551.501(3), it is unlawful for a person, in connection with the offer, sale, or purchase of a security, directly or indirectly, to engage in an act, practice, or course of business that operates or would operate as a fraud or deceit upon another person.

### **Violations**

29. Through the conduct described above in ¶¶ 2-20, Esposito violated Wis. Stat. § 551.301 when he sold securities in Wisconsin without those securities being registered under Ch. 551, exempt from registration under Ch. 551, or federally covered securities.
30. Through the conduct described above in ¶¶ 2-20, Esposito violated Wis. Stat. § 551.501(2) when he sold shares of common stock issued by Code2Action and Mobicard to Investors TA and DA while omitting the fact that he was the subject of the SEC's May 26, 2016 complaint and charges including violations of the anti-fraud provisions of Section 10(b) of the Securities Exchange Act of 1934 and Rule 10b-5 thereunder, and Section 17(a) of the Securities Act of 1933, and the securities registration provisions of Sections 5(a) and 5(c) of the Securities Act.

### **III.**

In view of the above findings of fact and conclusions of law, the Administrator deems it necessary and appropriate in the public interest and for the protection of investors, and pursuant to its legal authority and jurisdiction under Ch. 551, to wit Wis. Stat. § 551.604, to issue the following orders and notices:

**A. Summary Orders issued pursuant to Wis. Stat. § 551.604(2)**

- (a) IT IS ORDERED that ESPOSITO, his agents, servants, officers, employees, successors, affiliates, and every entity and person directly or indirectly controlled or organized by or on behalf of ESPOSITO, shall cease and desist from making or causing to be made to any person or entity in Wisconsin any further offers or sales of securities unless and until such securities qualify as covered securities or are registered under Ch. 551 or successor statute, pursuant to Wis. Stats. §§ 551.604(1)(a) and (2).
- (b) IT IS FURTHER ORDERED that all exemptions from registration set forth in Ch. 551 or successor statute that might otherwise apply to any offer or sale of any security of or by ESPOSITO, his agents, servants, officers, employees, successors, affiliates, and every entity and person directly or indirectly controlled or organized by or on behalf of ESPOSITO, are hereby revoked, pursuant to Wis. Stats. §§ 551.604(1)(b) and (2).
- (c) IT IS FURTHER ORDERED that ESPOSITO, his successors, affiliates, controlling persons, officers, agents, servants, employees, and every entity and person directly or indirectly controlled or hereafter organized by or on behalf of ESPOSITO are prohibited from violating Wis. Stat. § 551.501 or successor statute.
- (d) PLEASE TAKE NOTICE that the summary orders of the Administrator are effective as of the date of issuance of this order, pursuant to Wis. Stat. § 551.604(2). You are advised that any willful violation of an Order issued by the Division under Ch. 551 is a criminal offense punishable under the provisions of Wis. Stat. § 551.508.

**B. Proposed Orders**

- (e) IT IS PROPOSED that an order be issued imposing a civil penalty on ESPOSITO in the form of an administrative assessment totaling \$20,000 for the many violations committed against Investors TA and DA, pursuant to Wis. Stat. § 551.604(4). Such payment shall be made payable to the Wisconsin Department of Financial Institutions and shall be remitted to the Division no later than 30 calendar days from the date of issuance of this Order, or if a petition for a hearing is filed as provided under Wis. Stat. § 551.604(2), by a date to be fixed by a final order.
- (f) IT IS FURTHER PROPOSED that the above proposed order become final by operation of law, pursuant to Wis. Stat. §§ 551.604(4) and (5), with respect to ESPOSITO if he does not request a hearing within 30 days after the date of service of this order and if no hearing is ordered by the Administrator.

### **C. Service of Order**

- (g) IT IS FURTHER ORDERED that this order shall be sent promptly by certified mail to each party named in the order at his or her last known address or to the party's attorney of record, or shall be personally served upon the party or the party's attorney of record, pursuant to Wis. Admin. Code § DFI-Sec 8.06. This order shall also be served upon the office of the administrator pursuant to Wis. Stat. § 551.611.
- (h) PLEASE TAKE NOTICE that the date of the service of this order is the date it is placed in the mail.

### **D. Notice of Hearing Rights**

- (i) PLEASE TAKE NOTICE that you have the right to request a hearing. Every request for a hearing shall be in the form of a petition with the Division, pursuant to Wis. Admin. Code DFI-Sec. 8.01. A petition for a hearing to review the order shall:
  - (1) Plainly admit or deny each specific allegation, finding or conclusion in the order and incorporated papers. However, if the petitioner lacks sufficient knowledge or information to permit such an admission or denial, the petition shall so state, and that statement shall have the effect of a denial; and
  - (2) State all affirmative defenses. Affirmative defenses not raised in the request for hearing may be deemed waived.
- (j) PLEASE TAKE FURTHER NOTICE that, within 15 days after receipt of a request in a record from you, the matter will be scheduled for a hearing or other public administrative proceedings, pursuant to Wis. Stats. §§ 551.604(2) and (3).
- (k) PLEASE TAKE FURTHER NOTICE that if you do not request a hearing and none is ordered by the Administrator within 30 days after the date of service of this order, the findings of fact, conclusions of law, and summary and proposed orders, including the imposition of civil penalty or requirement for payment of restitution, disgorgement, interest, or the costs of investigation sought in a statement in the order, become final as by operation of law, pursuant to Wis. Stat. § 551.604(2).

EXECUTED at Madison, Wisconsin this 14<sup>th</sup> day of November, 2018.

Leslie M. Van Buskirk

Leslie M. Van Buskirk  
Administrator

Division of Securities  
State of Wisconsin Department of Financial Institutions  
4822 Madison Yards Way, 4<sup>th</sup> Floor  
Madison, WI 53705



**State of Wisconsin**  
*Department of Financial Institutions*

Scott Walker, Governor

Jay Risch, Secretary

**AFFIDAVIT OF SERVICE  
AND COMPLIANCE WITH WIS. STAT. § 551.611**

STATE OF WISCONSIN       )  
   ) ss.  
 COUNTY OF DANE            )

I, KATHERINE CLEMENTI, first being duly sworn, depose and state:

1. I am employed with the State of Wisconsin, Department of Financial Institutions, Division of Securities.
2. On the date of this Affidavit and in the course of regularly conducted activity, I have caused to be served by certified mail upon Respondent Christopher R. Esposito at his last known address of 102 River Road, Topsfield, MA 01983:
  - i. A copy of the Summary Order to Cease and Desist and Imposing Civil Penalties, DFI Case No. S-238791 (EX); and
  - ii. A copy of this Affidavit of Service.
3. In compliance with Wis. Stat. §§ 227.48, 551.611, and 891.46; and Wis. Admin. Code. §§ DFI-Sec 8.06 and 8.07, I have also caused to be served copies of those same documents upon the Administrator for the Division of Securities.

I declare under penalty of perjury that the foregoing is true and correct to the best of my knowledge and belief.

*Katherine Clementi*

KATHERINE CLEMENTI

State of Wisconsin  
 Department of Financial Institutions  
 Division of Securities

Subscribed and sworn to before me

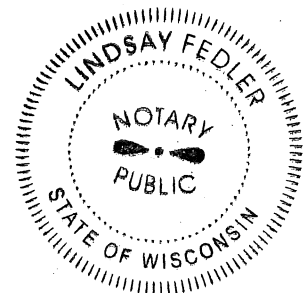
This 14<sup>th</sup> day of November, 2018.

*Lindsay Fedler*

Notary Public, State of Wisconsin

My commission is permanent.

(Notary Seal)



*Division of Securities*

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